

Vermont Housing & Conservation Board



58 East State Street
Montpelier
Vermont 05602

TEL 802 828 3250
FAX 802 828 3203
WEB www.vhcb.org

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June 17, 2009

Ms. Ann Bishop & Ms. Andrea McHugh
Vermont Public Service Board
112 State Street
Montpelier, VT 05620-2701

Re: June 19 submittal request for additional comments on policy and framework issues related to screening tools.

Ref: VHCB letter to PSB dated June 8, 2009.
VEIC memo to PSB dated June 8, 2009.
DPS letter to PSB dated June 8, 2009.

Dear Mss. Bishop & McHugh

Thank you again for the opportunity to participate in this important discussion. As discussed in our above referenced correspondence maintaining the operational affordability of our statewide portfolio is of paramount importance to VHCB and to our network of affordable housing partners across Vermont. We are heartened to see active discussions are occurring or will occur as part of this process which relate to appropriate cost benefit ratios, project level vs. measure level screening and appropriate discount rates among other topics. We are hopeful that the nature and vulnerability of the important housing assets we and our partners steward will be appropriately considered during these discussions resulting in appropriate parameters and basis of analysis.

There are two items we would specifically like to highlight and recommend for further policy discussion. The first has to do with concept of risk and projecting fossil fuel prices. Our above referenced correspondence discusses the "roadmap" process VHCB and our partners are undertaking with regard to determining appropriate levels of energy related measures in our properties. One of the key policy discussions that will occur among housing policy makers has to do with this issue of fuel price escalation risk. Various models will be presented to policy makers describing project financial operating performance under various building energy measure packages and fuel price combinations. Although it is not completely clear how this conversation will evolve there has been a clear concern expressed among housing policy makers with regard to the threat high fuel prices represent to our portfolio. We are also under the opinion that relying on EIA forecasts for fuel trending will likely be deemed inadequate.

As you are aware, essentially four factors will determine energy prices going forward: aggregate supply; aggregate demand; regional, national and international legal frameworks developed to direct supply and demand in particular direction(s); and substitution effects on both the demand and supply side driven by movements along and shifts to demand and supply equilibrium. Although these changes will be difficult if not impossible to predict, we believe engaging in a discussion which explores this question from a risk mitigation perspective is both warranted and prudent. Ultimately a decision will have to be made: Are we going to plan for \$3/gal. oil, \$5/gal. oil or \$7/gal. oil. Many building measure improvement packages are not easily marginally additive over time from both an infrastructure and funding perspective. To the extent we can guide planning today to use resources to address the potential energy environment of the future the better off we'll be. Working with our energy sector partners to address this question and determine appropriate PV formula adjustments which reflect agreed to guidelines would be very helpful in coordinating funding screening criteria around this question.

A second area where we would also recommend further discussion involves the issue of social externalities and social cost testing. Adjustments for environmental externalities have for some time been part of the statewide screening process as detailed in the relevant PSB dockets and the above referenced correspondence from VEIC and DPS. We believe however, that affordable housing assets will potentially accrue substantial **social costs** under a regimen which facilitates relatively fewer DSM measures or alternatively, accrue substantial **social benefits** under one which facilitates more. Again, we are well aware of the challenges associated with monetizing these values but consider this another area where policy discussions are appropriate. In addition, although we agree a "simple" cost adjustment may be appropriate as is stated in VEIC's referenced correspondence, we think the value of that adjustment should be explored more fully in relation to affordable housing assets.

We very much look forward to further dialogue on these questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Craig T. Peltier', with a stylized, flowing script.

Craig T. Peltier

Asset Manager

Vermont Housing & Conservation Board

58 E. State Street, Montpelier, VT 05602

802/828-1007 craig@vhcb.org